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February 8, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Request for Approval of Replacement Agreement for Gas Supply

Dear Secretary Cottrell:

NSTAR Gas Company ("NSTAR Gas" or the "Company") hereby files with the Department of Telecommunications and Energy (the "Department") for approval under G.L. c. 164, § 94A of an agreement for gas supply (the "Replacement Agreement") with Constellation Power Source, Inc. ("CPS"). Under the Agreement, CPS will provide NSTAR Gas with 4,553 million British thermal units ("MMBtu") per day of gas supply delivered to Waddington, New York for the period November 1, 2006 through November 30, 2011. The Replacement Agreement will replace the Company's current gas supply contract with Alberta Northeast Utilities, Ltd. ("ANE"), which expires on October 31, 2006. As part of the Replacement Agreement, NSTAR Gas will provide CPS with 4,553 MMBtu/day of firm transportation capacity on Tennessee Gas Pipeline and Iroquois Gas Transmission, which is recallable by NSTAR Gas (the "Recallable Capacity Agreement").

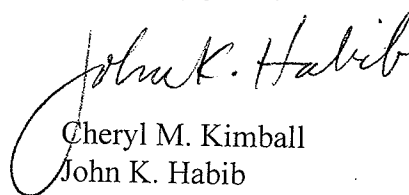
In support of its request for the Department's approval of the Replacement Agreement, the Company is submitting herewith testimony and exhibits prepared by Max A. Gowen, who is a Senior Energy Supply Analyst for NSTAR Gas. As discussed in the testimony of Mr. Gowen, the Company's proposed arrangement with CPS is consistent with the portfolio objectives set forth in both: (1) the most recent Long Range Forecast and Supply Plan for NSTAR Gas, which is pending before the Department in NSTAR Gas Company, D.T.E. 05-46; and (2) the Company's approved Long Range Forecast and Supply Plan, approved by the Department in NSTAR Gas Company, D.T.E. 02-12. In addition, Mr. Gowen's testimony demonstrates how the Replacement Agreement compares favorably on price and non-price factors to the range of alternatives reasonably available to the Company and its customers.

Letter to Secretary Cottrell
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Pursuant to G.L. c. 25, § 5D, the Company requests that items relating to the Company's economic analysis be protected from public disclosure because of the competitively sensitive and proprietary nature of the pricing terms. Accordingly, NSTAR Gas is submitting herewith a Motion for Protective Treatment of Confidential Information and redacted copies of the Company's economic analysis (Exhibits MAG-2(a), MAG-2(b), MAG-4, and MAG-5). Confidential versions of the exhibits are being filed under separate cover. Consistent with Department practice, the Company will submit the confidential exhibits to the Attorney General or other full parties for review pursuant to a mutually acceptable non-disclosure agreement.

The Company has also included a filing fee of \$100. Thank you for your consideration and assistance in this matter.

Very truly yours,



Cheryl M. Kimball
John K. Habib

Enclosures

cc: George Yiankos, Director, Gas Division
Andréas Thanos, Assistant Director, Gas Division
Joseph Rogers, Assistant Attorney General
Robert Sydney, Esq., Division of Energy Resources

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

NSTAR Gas Company)
_____))
_____)

D.T.E. 06-____

**MOTION OF NSTAR GAS COMPANY
FOR PROTECTIVE TREATMENT OF CONFIDENTIAL INFORMATION**

Now comes NSTAR Gas Company (“NSTAR Gas” or the “Company”) and hereby requests that the Department of Telecommunications and Energy (the “Department”) grant protection from public disclosure certain confidential, competitively sensitive and proprietary information submitted in this proceeding in accordance with G.L. c. 25, § 5D. The Company requests that the Department protect from public disclosure price terms in Exhibits MAG-2(a) **CONFIDENTIAL**, MAG-2(b) **CONFIDENTIAL**, MAG-4 **CONFIDENTIAL** and MAG-5 **CONFIDENTIAL**,¹ filed on February 8, 2006, in conjunction with the Company’s request for approval, pursuant to G.L. c. 164, § 94A, of an agreement (the “Replacement Agreement”) with Constellation Power Source, Inc. (“CPS”) for gas supply. As discussed below, the price information in these exhibits is competitively sensitive and its release to the public would jeopardize the integrity of future negotiations between the Company and gas-supply companies, which would have an adverse impact on the Company’s customers.

¹ The Company filed redacted copies of these exhibits on February 8, 2006, deleting from those documents references to the price terms used in the Company’s economic analysis of the Replacement Agreement.

I. LEGAL STANDARD

Confidential information may be protected from public disclosure in accordance with G.L. c. 25, § 5D, which states in part that:

The [D]epartment may protect from public disclosure, trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings conducted pursuant to this chapter. There shall be a presumption that the information for which such protection is sought is public information and the burden shall be on the proponent of such protection to prove the need for such protection. Where the need has been found to exist, the [D]epartment shall protect only so much of the information as is necessary to meet such need.

In interpreting the statute, the Department has held that:

. . . [T]he burden on the company is to establish the need for protection of the information cited by the company. In determining the existence and extent of such need, the Department must consider the presumption in favor of disclosure and the specific reasons why disclosure of the disputed information benefits the public interest.

The Berkshire Gas Company et al., D.P.U. 93-187/188/189/190, at 16 (1994) as cited in Hearing Officers Ruling On the Motion of Boston Gas Company for Confidentiality, D.P.U. 96-50, at 4 (1996).

In practice, the Department has often exercised its authority to protect sensitive market information. For example, the Department has determined specifically that competitively sensitive information, such as price terms, are subject to protective status:

The Department will continue to accord protective status when the proponent carries its burden of proof by indicating the manner in which the price term is competitively sensitive. Proponents generally will face a more difficult task of overcoming the statutory presumption against the disclosure of other terms, such as the identity of the customer.

Standard of Review for Electric Contracts, D.P.U. 96-39, at 2, Letter Order (August 30, 1996). See also Colonial Gas Company, D.P.U. 96-18, at 4 (1996) (the Department

determined that price terms were protected in gas supply contracts and allowed Colonial Gas Company's request to protect pricing information including all "reservation fees or charges, demand charges, commodity charges and other pricing information").

Moreover, the Department has recognized that competitively sensitive terms in a competitive market should be protected and that such protection is desirable as a matter of public policy:

The Department recognizes that the replacement gas purchases . . . are being made in a substantially competitive market with a wide field of potential suppliers. This competitive market should allow LDC's to obtain lower gas prices for the benefit of their ratepayers. Clearly the Department should ensure that its review process does not undermine the LDC's efforts to negotiate low cost flexible supply contracts for their systems. The Department also recognizes that a policy of affording contract confidentiality may add value to contracts and provide benefits to ultimate consumers of gas, the LDC's ratepayers, and therefore may be desirable for policy reasons.

The Berkshire Gas Company et al., D.P.U 93-187/188/189/190, at 20 (1994).

II. BASIS FOR CONFIDENTIALITY

The Company seeks protection from public disclosure of certain price terms that are considered to be confidential, commercially sensitive and proprietary by the Company. The Company is an active participant in the gas-supply market and requires confidential treatment of these terms in order to protect its bargaining latitude and negotiating leverage in achieving gas-resource arrangements such as the one proposed in this filing.

Consistent with the Department's precedent, the Company is requesting confidential treatment for price terms only. Disclosure of the price terms associated with the Company's economic analysis of the Replacement Agreement has the potential to

cause substantial harm to NSTAR Gas, which may in the future negotiate similar agreements with other participants in the Massachusetts gas market. Specifically, disclosure of the price terms may create a circumstance where NSTAR Gas would be compelled to negotiate against the prices set forth in the economic analysis in virtually every subsequent contract. In addition, if prices were disclosed, important, competitively sensitive information regarding the results of a request for proposals process conducted by the Company would be disclosed making it difficult for the Company to attract bidders in a subsequent bid solicitation process. Such outcomes would also be contrary to the interests of the Company's customers in that disclosure of the pricing terms would potentially impede the Company's ability to obtain similar or better prices from other suppliers in the future should it require additional gas supply services.

In short, price terms must remain confidential to preserve the Company's future negotiating leverage and its ability to function effectively in the gas supply marketplace. Disclosure of contract price terms may dissuade gas suppliers, who must protect their competitive position in the national market, from marketing supplies in Massachusetts. Moreover, a lack of confidentiality may discourage suppliers from making concessions or agreeing to specific provisions more favorable to the buyer because public knowledge of such precedents would decrease the suppliers' bargaining leverage in other negotiations.

The harmful impact of price disclosures is well known to the Department. It has consistently held that price information is confidential and recognized that price information is competitively sensitive as set forth in the statute. See Colonial Gas Company, D.P.U. 96-18, at 4 (1996). Indeed, the Department has recognized the gas

industry's concerns regarding disclosure of supply contract price terms. See The Berkshire Gas Company, D.P.U 93-187/188/189/190, at 20 (1994).

III. DESCRIPTION OF CONFIDENTIAL PRICE TERMS

The Company has requested that all price terms relating to the economic analysis of the bids for replacement supply be held confidential during the course of this proceeding and through the terms of the Replacement Agreement. The confidential terms are set forth in Exhibits MAG-2(a) **CONFIDENTIAL**, MAG-2(b) **CONFIDENTIAL**, MAG-4 **CONFIDENTIAL** and MAG-5 **CONFIDENTIAL**. The Company is not requesting confidential treatment for any other terms or language in the Replacement Agreement or the Company's documents analyzing the proposed transaction.

The price terms include terms that reflect the cost variables and calculations that determine the commodity price and capacity costs associated with the Replacement Agreement (see Exh. MAG-2(a) **CONFIDENTIAL**, Exh. MAG-2(b) **CONFIDENTIAL**, Exh. MAG-4 **CONFIDENTIAL** and Exh. MAG-5 **CONFIDENTIAL**). In addition, the price terms include terms that are relevant to determining the overall costs of the Replacement Agreement, including performance obligations of the parties, damages provisions and financial obligations (see Exh. MAG-2(a) **CONFIDENTIAL**). In addition, information regarding NSTAR's credit policy presented in Exh. MAG-5 **CONFIDENTIAL** is also a competitively sensitive price term because it was used by the Company to perform its economic analyses of the bids for gas services.

IV. CONCLUSION

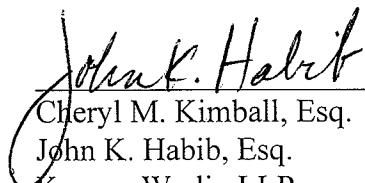
The Department has consistently held that price terms are considered to be confidential, commercially sensitive and proprietary. Disclosure on the public record of pricing information will negatively affect the parties' future bargaining position and could have a negative effect on the marketplace by dissuading potential suppliers from competing in Massachusetts and ultimately causing an adverse affect on the Company's customers.

WHEREFORE, the Company respectfully requests that the Department grant its Motion for Protective Treatment as stated herein.

Respectfully submitted,

NSTAR GAS COMPANY

By its attorneys,


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Dated: February 8, 2006

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

D.T.E. 06-__

**PREFILED TESTIMONY OF MAX A. GOWEN
EXHIBIT MAG-1**

I INTRODUCTION

Q. Please state your name and business address.

A. My name is Max A. Gowen. My business address is One NSTAR Way, Westwood, Massachusetts, 02090.

Q. What is your position with NSTAR Gas Company?

A. I am a Senior Energy Supply Analyst for NSTAR Gas Company ("NSTAR Gas" or the "Company"). In my position, I am responsible for the analysis of gas supply issues and long-range planning for NSTAR Gas.

Q. Please summarize your educational background and your professional experience.

A. I graduated from St. Lawrence University in 1974 with a Bachelor of Arts in Economics. In 1976, I received a Masters Degree in Regional Planning from the University of Massachusetts. In 1988, I received a Masters of Business Administration from Northeastern University.

I joined Commonwealth Gas Company (the predecessor of NSTAR Gas) as a Supply Planning Analyst in 1981 after working for several public agencies and consulting firms on environmental issues associated with energy facility development from 1976 to 1981. In 1982, I became the Manager of Supply Planning and was promoted to Director of Supply Planning in 1990. As the Manager and then Director of Supply Planning, I was responsible for the long-range resource plan and gas supply portfolio issues, gas-supply acquisition and related state and federal regulatory issues.

1 In 1992, I joined Reed Consulting Group as a Senior Project Manager working on client
2 projects related to gas-industry restructuring, gas-resource project development, market
3 assessments and other related issues. In 1996, REED Consulting Group became a part of
4 Navigant Consulting, Inc. and I remained with Navigant until 2003. In December 2003, I
5 returned to NSTAR Gas in my current position.

6 **Q. Have you previously testified in regulatory proceedings?**

7 A. Yes. While working with Commonwealth Gas Company, I testified before the Energy
8 Facilities Siting Council in several proceedings for approval of the Company's long-
9 range resource and requirement plans (EFSC 82-5, EFSC 83-5, EFSC 85-5, EFSC 86-5,
10 and EFSC 90-5). I also testified before the Department of Telecommunications and
11 Energy (the "Department") on gas-supply issues in Commonwealth Gas Company,
12 D.P.U. 91-60 (1991), which was the Company's most recent base-rate proceeding.

13 While working as a consultant, I testified for the New England Tennessee Customer
14 Group before the Federal Energy Regulatory Commission in a Tennessee Gas Pipeline
15 ("Tennessee") rate case on storage cost-allocation issues (RP91-203) and in a case before
16 the British Columbia Utilities Commission for Westcoast Energy relating to the use of
17 LNG facilities by local gas distribution companies (G-51-99).

18 I provided direct testimony in the Company's request for approval of the recent long-term
19 capacity release agreement with Dartmouth Power Associates Limited Partnership, which
20 was recently approved by the Department in NSTAR Gas Company, D.T.E. 05-47.

21 **Q. What is the purpose of your testimony?**

22 A. In this proceeding, NSTAR Gas is requesting approval of a proposed agreement (the
23 "Replacement Agreement") with Constellation Energy Commodities Group

1 (“Constellation”) that will provide NSTAR Gas with 4,553 MMBtu/day of gas supply
2 delivered to Waddington, New York for the period November 1, 2006 through
3 November 30, 2011. The gas supply that is the subject of the Replacement Agreement
4 will replace gas supply that the Company currently receives through an expiring contract
5 with Alberta Northeast Utilities, Ltd. (“ANE”). Section II of my testimony provides a
6 detailed description of the Replacement Agreement, which is provided herewith as
7 Exhibit MAG-2. Section III of my testimony demonstrates that the Replacement
8 Agreement is consistent with the Company’s portfolio objectives and Section IV
9 demonstrates that the Replacement Agreement compares favorably to the range of
10 alternatives reasonably available to the Company and its customers.

11 **II. DESCRIPTION OF THE COMPANY’S PROPOSAL**

12 **Q. Please describe the Replacement Agreement.**

13 A. As noted above, under the Replacement Agreement, Constellation will provide NSTAR
14 Gas with 4,553 MMBtu/day of gas supply delivered to Waddington, New York for a
15 five-year period running from November 1, 2006 through November 30, 2011. For the
16 same time period, NSTAR Gas will release to Constellation its 4,553 MMBtu/day of firm
17 transportation capacity on Iroquois Gas Transmission and its 4,500 MMBtu/day of firm
18 transportation capacity on Tennessee Gas Pipeline Gas Transmission. Constellation will
19 deliver the full contract quantity, adjusted for Iroquois and Tennessee fuel, to NSTAR
20 Gas’s Worcester Tennessee take station.

21 Originally, Constellation and NSTAR Gas agreed on a 5-year term from
22 November 1, 2006 through October 31, 2011. In putting together this filing, NSTAR Gas
23 recognized that the actual termination date of its underlying Iroquois and Tennessee firm

1 transportation contracts was November 30, 2011 instead of October 31, 2011. NSTAR
2 Gas decided it would be more appropriate to have the supply contract terminate at the end
3 of the underlying transportation contracts instead of the end of the standard contract year.
4 NSTAR Gas went back to Constellation and requested that they extend the supply
5 contract for the additional 30 days, which they agreed to do.

6 **Q. Please describe the components of Exhibit MAG-2.**

7 A. There are three components to Exhibit MAG-2. The first component, Exhibit MAG-2(a)
8 **CONFIDENTIAL**, is the base North American Energy Standards Board (NAESB)
9 contract between Constellation and NSTAR Gas that was signed September 28, 2003.
10 NAESB contracts are the standard form of contracts currently used in the gas industry as
11 a framework for conducting gas purchases and sales.

12 The second component, Exhibit MAG-2(b) **CONFIDENTIAL**, is the Amended
13 Transaction Confirmation dated September 16, 2005 that confirms the specific
14 transaction between Constellation and NSTAR Gas for the 5-year purchase of gas by
15 NSTAR Gas from Constellation at Waddington, NY and contains the specific pricing
16 formula, along with other terms and conditions.

17 The third component, Exhibit MAG-2(c), is the Recallable Pipeline Capacity Release
18 Letter Agreement, signed September 28, 2005, that provides details on the agreement
19 between Constellation and NSTAR Gas relating to NSTAR Gas's release to Constellation
20 of its Iroquois and Tennessee pipeline capacity associated with the delivery of the
21 Waddington supply to the NSTAR Gas take station.

22 In summary, these agreements provide for NSTAR Gas's ability to receive its full
23 Canadian supply volume at its Worcester take station on an annual baseload basis at

1 monthly prices that are tied to the monthly NYMEX settlement price through
2 November 30, 2011.

3 **Q. Please provide the background for the ANE Supply contract.**

4 The Replacement Agreement will simply replace the Company's current gas supply
5 contract with Alberta Northeast Gas limited (the "ANE Contract"), which expires on
6 October 31, 2006. ANE is an entity whose members include the following Northeastern
7 gas distribution companies: Bay State Gas Company; Boston Gas Company; Central
8 Hudson Gas & Electric Corporation; Colonial Gas Company; Connecticut Natural Gas
9 Corporation; EnergyNorth Natural Gas, Inc.; Essex Gas Company; KeySpan Energy
10 Delivery New York; KeySpan Energy Delivery Long Island; National Fuel Gas
11 Distribution Corporation; Northern Utilities, Inc.; NSTAR Gas; Southern Connecticut
12 Gas Company; and Yankee Gas Company. ANE was formed for the purpose of
13 providing its members with access to western Canadian gas supplies and was
14 instrumental in providing market support for the Iroquois Pipeline-related system
15 expansion of the TransCanada system, for the construction of the Iroquois Gas
16 Transmission system, and the subsequent expansions on the Tennessee and Algonquin
17 systems for the Iroquois deliveries into eastern Massachusetts.

18 Gas from the ANE Contract began flowing in November 1991. As I discuss in Section
19 III of my testimony, the Company's most recent Department-approved Load Forecast and
20 Resource Plan (the "Approved Supply Plan"), which covers the forecast period 2001-02
21 through 2005-06, demonstrates the need for the supply currently provided by the ANE
22 Contract. The Company's pending Load Forecast and Resource Plan (the "Pending
23 Supply Plan"), which covers the period 2005-06 through 2009-10 and was filed on

May 31, 2005, demonstrates a continued need for an equivalent amount of supply beyond the ANE Contract's expiration date.

III. CONSISTENCY WITH PORTFOLIO OBJECTIVES

Q. Please provide an overview of the NSTAR Gas system and existing pipeline supply portfolio.

A. NSTAR Gas provides service through four operating divisions centered in Worcester, Framingham, Cambridge and New Bedford. The Worcester Division is served primarily by the Tennessee Gas Pipeline and the Framingham, Cambridge, and New Bedford Divisions are served by Algonquin Gas Transmission. Because the Worcester and Framingham Divisions are contiguous, there are limited internal transfer capabilities between the Algonquin and Tennessee pipelines serving those divisions.

On the Tennessee pipeline, the Company holds contract entitlements to 47,387 MMBtu/day of domestic gas supply, 4,500 MMBtu/day of Canadian gas supply (i.e., the gas procured via the ANE Contract) and approximately 3,480 BBtu of storage capacity with 27,472 MMBtu/day of associated firm transportation from storage delivering to five take stations located in the Company's service territory.

On the Algonquin pipeline, the Company holds contract entitlements to 91,986 MMBtu/day of domestic gas supply and approximately 4,400 BBtu of storage capacity with 50,560 MMBtu/day of associated firm transportation from storage delivering to 14 take stations located within the Company's service territory. In addition, the Company has an Algonquin contract that provides 14,010 MMBtu/day of capacity between Mendon, MA and the Company's New Bedford division, which was approved by the Department on September 8, 2005 in NSTAR Gas Company, DTE 05-47. Of the 14

1 stations served by the Algonquin pipeline, eight stations are located in the Framingham
2 Division, two stations are located in the Cambridge Division and the remaining stations
3 are located in the New Bedford Division.

4 **Q. Please describe the Company's LNG facilities.**

5 A. NSTAR Gas owns and operates two liquefied natural gas ("LNG") storage and
6 vaporization facilities located in Hopkinton and Acushnet, Massachusetts. The
7 Hopkinton LNG plant has 3.0 Bcf of storage capacity and provides up to 180,000
8 Mcf/day of vaporization capacity and 13,000 Mcf/day of net liquefaction capacity. The
9 Hopkinton LNG facility is directly connected to take stations on both the Tennessee and
10 Algonquin pipelines and therefore is able to liquefy gas from either pipeline during the
11 summer season when pipeline supplies are available.

12 During the winter season, LNG vapor from the Hopkinton plant is injected into the
13 western part of the Framingham Division and the eastern part of the Worcester Division.
14 LNG vapor may also be injected into the Tennessee pipeline system and backhauled to
15 the Worcester take station or injected into the Algonquin pipeline system and transported
16 to several take stations.

17 The Acushnet LNG plant has a total storage capacity of 0.5 Bcf and provides 30,000
18 Mcf/day of vaporization capacity. The Acushnet LNG plant has no liquefaction
19 capability. The Acushnet facility is refilled during the summer with supplies trucked
20 from either the Hopkinton facility or from the LNG facility owned by Distrigas of
21 Massachusetts Corporation ("DOMAC"). In general, the Company does not require or
22 depend upon winter season replenishment of LNG inventories at either facility.

1 **Q. How is the Replacement Agreement consistent with the Company's approved**
2 **Supply Plan?**

3 A. As mentioned above, the Replacement Agreement allows the Company to replace the
4 existing ANE Contract that was identified as needed in the Company's Approved Supply
5 Plan, and which expires on October 21, 2006. NSTAR Gas Company, D.T.E. 02-12
6 (2003) (Approved Supply Plan at Attachment 1 Tables G-22D and G-23 and
7 Attachment 6).

8 **Q. Is the Replacement Agreement also consistent with the Company's pending Supply**
9 **Plan?**

10 A. Yes. The Company's Pending Supply Plan, which uses the same methodology as the
11 Company's Approved Supply Plan, demonstrates a continued need for this gas supply
12 through the 2009-10 heating season. NSTAR Gas Company, D.T.E. 05-46 (Pending
13 Supply Plan at Att. 1 Tables G-22D and G-23). Accordingly, the Company has
14 demonstrated that the Replacement Agreement is consistent with both the Company's
15 Approved and Pending Supply Plans.

16 It should be noted that the Company's Pending Supply Plan demonstrates in Table
17 G-22D that under design weather conditions, the Company requires 2,037 BBtu of
18 citygate supplies in the winter of 2006-2007. These are supplies required in excess of the
19 Company's current portfolio (which include the ANE Contract volumes) in order to meet
20 design year requirements. Without replacing the ANE supplies, this shortfall would
21 increase to 2,671 BBtu, an increase of 634 BBtu.

IV. COMPARABILITY OF RESOURCES

Q. How did the Company approach its evaluation of alternatives to replace the gas supply currently provided by the expiring ANE Contract?

A. NSTAR Gas began its evaluation of alternatives as a member of the ANE Customer Group, working with the other LDC members and the group's consultants in evaluating alternatives. The primary alternatives considered included purchasing gas at: (1) Waddington, NY, the interconnection between the TransCanada Pipeline system and the Iroquois gas Transmission system; (2) the Alberta trading hub; or (3) the Dawn, Ontario trading hub.

Waddington was deemed to be an unattractive place for the group as a whole to acquire its gas supplies because it is not a liquid trading point. Dawn, Ontario and the Alberta Energy Company ("AECO") trading hub in Alberta are clearly the most liquid markets in Canada. Members of the group were currently purchasing over 235,000 MMBtu/day under the contract set to expire on October 31, 2006. It was very clear that given the Waddington market, it would be unwise to attempt to purchase full replacement volumes for the full group at Waddington because of the lack of liquidity. In order to avoid purchasing gas at Waddington, it meant that the LDCs had to acquire pipeline capacity upstream of Waddington in Canada.

Q. Did NSTAR Gas consider acquiring upstream pipeline capacity in Canada?

A. Yes. NSTAR Gas participated in the ANE Customer Group's discussion and analysis of Alberta and Dawn supply alternatives. Based on the Group's and the Company's analysis of the two alternatives, NSTAR Gas considered acquiring capacity from Union Gas Company from the Dawn, Ontario market hub to the Union interconnection with

1 TransCanada at Parkway, Ontario and from TransCanada from Parkway, Ontario to
2 Waddington. NSTAR Gas participated with the other members of the ANE Customer
3 Group in both the Union Gas and TransCanada open seasons for pipeline capacity.

4 Both Union Gas and TransCanada required participating customers to commit to ten-year
5 contracts (from 2006 to 2016) for capacity in order to support the construction of
6 incremental capacity. The underlying transportation contracts that NSTAR Gas uses on
7 Iroquois and Tennessee to transport the ANE gas from Waddington, NY to the NSTAR
8 Gas Worcester gate station continue another five years beyond the November 1, 2006
9 termination date for the ANE Contract through November 2011.

10 **Q. Did NSTAR Gas decide to execute the contracts with TransCanada and Union for**
11 **the incremental capacity?**

12 **A.** No. The final contract offered by TransCanada had provisions relating to the allocation
13 of project risk in the event that the project was cancelled. The ANE Group and its
14 lawyers negotiated with TransCanada to mitigate the exposure on behalf of all the
15 customers. However, there was residual risk if the project was cancelled, which would
16 expose NSTAR Gas customers to higher costs. Accordingly, NSTAR Gas determined
17 that this risk could be onerous to its customers and evaluated other options.

18 **Q. Please describe the NSTAR Gas RFP process.**

19 On April 15, 2005, NSTAR Gas issued a RFP for supplies to replace the ANE contract
20 beginning November 1, 2006. A copy of the RFP is attached as Exhibit MAG-3. The
21 RFP specified a due date of May 13, 2005 for proposals.

22 The RFP stated that NSTAR Gas was interested in assigning its Iroquois and Tennessee
23 capacity related to its Waddington purchases to the selected supplier and in receiving

1 citygate service for the full contract quantity at NSTAR Gas's Worcester take station.
2 The RFP encouraged Bidders to propose prices tied to liquid market indices, such as
3 Dawn, AECC, Chicago, and NYMEX and also encouraged bidders to offer both baseload
4 supplies and winter-only baseload supplies.

5 **Q. Please describe the results of the NSTAR Gas process.**

6 A. The Company received 32 offers from a total of 14 different Bidders. Several Bidders
7 offered different term lengths and different pricing options. Three offers were for one-
8 year only; four offers were for two-year deals; seven offers were for three-year deals, and
9 18 offers were for five-year deals. Five offers were based on Alberta prices with pipeline
10 costs on TransCanada, Iroquois, and Tennessee; three offers were based on Chicago
11 prices with pipeline costs on Vector, TransCanada, Iroquois, and Tennessee; four offers
12 were based on Dawn or Michigan prices with appropriate pipeline costs, and 20 offers
13 were based on NYMEX prices at Waddington, plus Iroquois and Tennessee costs. Seven
14 offers were for winter-only service and 25 offers were for annual service.

15 Exhibit MAG-4 **CONFIDENTIAL** provides a summary of relevant terms and pricing
16 provisions for each of the supply offers received in response to the Company's
17 April 15, 2005 RFP. Each supply offer was given a deal number for reference purposes.
18 Several of the supply offers had more than one pricing option. For example, a supply
19 based on AECO prices could be priced on either an actual AECO index or could be
20 priced on a NYMEX basis differential.

21 **Q. How did the Company compare the costs of proposals that covered winter-only**
22 **periods versus annual baseload proposals?**

23 A. Baseload proposals generally required that gas be purchased on a 365-day basis, while

1 winter-only proposals generally required that gas be purchased for the 151-day winter
2 season. The analysis of baseload proposals was based on the straight forward analysis of
3 the delivered cost of the contract monthly volumes, based on the NYMEX strip prices
4 and the proposed pricing formula. For the winter-only supplies, winter prices were based
5 on the proposed pricing formula and purchases of corresponding delivered summer
6 quantities were based on the delivered cost of Tennessee Gulf Coast supplies under our
7 portfolio management contract. This approach allowed NSTAR Gas to provide a fair
8 comparison of baseload and winter-only services.

9 **Q. How did the Company compare the costs of proposals that covered different terms?**

10 A. In order to provide a consistent comparison for proposals with various terms, NSTAR
11 Gas had to develop a proxy contract for proposals that did not cover the full five year
12 period. For example, a proposal that provided baseload service for only three years,
13 would have the last two years evaluated at full contract levels with the proxy contract.

14 The proxy contract was based on a Alberta market hub monthly index price (tied to the
15 NYMEX strip prices based on the average Alberta- NYMEX basis for the previous two
16 years), plus the full tariff pipeline rates to transport the gas from the Hub to the NSTAR
17 Gas citygate. The cost of the TransCanada transportation from Empress to Waddington
18 for the last two years was escalated by a factor of 10 percent to account for projected toll
19 increases as a result of the reduction demand determinants for longhaul transportation
20 from Empress.

1 **Q. Please explain how the Company evaluated the proposals.**

2 A. The Company developed a short list of suppliers based on the net present value of the
3 cost of the gas supplies over the five-year period for each proposal. A summary of the
4 economic evaluations of the short list supply offers is provided in Exhibit MAG-5
5 **CONFIDENTIAL**. The short list included 15 offers from 7 suppliers including pricing
6 alternatives for 4 offers where two pricing options were provided. Six offers were based
7 on AECO prices and related downstream transportation costs; four offers were based on
8 Dawn prices and downstream transportation costs; and five offers were based on
9 Waddington and the related Iroquois and Tennessee transportation costs. Of the
10 15 offers, 13 were baseload and two were winter only. The short list was then shortened
11 further as a result of additional input and analysis described below.

12 **Q. Please explain how the short list was shortened further.**

13 Suppliers that offered packages involving transportation on TransCanada from Alberta
14 were asked to offer proposals to mitigate the risk to NSTAR Gas relating to increases to
15 the TransCanada rate over the term of the contract. One potential supplier did not offer
16 any mitigation, one offered an unattractive mitigation offer that raised the effective cost
17 of the proposal, and one supplier that had several of the AECO packages offered a
18 reasonable mitigation proposal. The parties that did not offer acceptable mitigation offers
19 were eliminated from further consideration.

20 One supplier raised its price as a result of clarifications and discussions, which resulted in
21 the supplier being dropped from consideration. One supplier, with eight offers on the
22 short list, four based on AECO prices and four based on Dawn prices, was eliminated

1 from consideration as a result of the supplier's refusal to offer a letter of credit as part of
2 their proposal. The summary of the results of the credit analysis is provided in Exhibit
3 MAG-5 **CONFIDENTIAL**.

4 **Q. Please explain the cost and credit evaluation represented in Exhibit MAG-5**
5 **CONFIDENTIAL.**

6 A. The evaluation is primarily based on the net present value of the cost of the delivered
7 supply under the proposal. However, a credit risk analysis was conducted for each
8 supplier and proposal, which took into account the cost of replacing supplies in the event
9 a supplier defaulted. The cost of default was compared with the Guaranty Limits
10 applicable to the supplier under the Company's credit policy. If the cost of default was
11 less than the Guaranty Limit, then the risk could be managed by obtaining the appropriate
12 Guaranty amount in the contract. If the Guaranty limit did not cover the risk, then the
13 size of a letter of credit was determined for the supplier and the supplier would be asked
14 about its willingness to provide the appropriate size letter of credit. After consideration
15 of credit risk, TransCanada rate risk, and the updating of prices, four offers remained
16 under consideration. Of the four remaining offers, the Constellation 5-year, baseload
17 Waddington offer had the lowest net present value of five-year projected cost. The range
18 between the lowest and highest price of the final four contending offers was less than
19 \$220,000, based on the modeling assumptions used for the analysis. These are very small
20 differences, given the total five year cost of approximately \$44.4 million.

21 **Q. How were non-price factors considered in the analysis?**

22 A. There were no significant reliability differences between the four final offers. All four
23 were from parties offering firm supplies at Waddington, with the supplier assuming the

1 upstream risk, and with the supplier taking an assignment of the NSTAR Gas Iroquois
2 and Tennessee capacity and retaining the firm obligation to deliver to the Worcester
3 station.

4 Two of the final offers were winter only, one of which was a 3-year deal and the other
5 was a 5-year deal. Of the two annual baseload deals, one was a 3-year deal and the other
6 was a 5 year deal. Given the insignificant differences in prices between the final offers, a
7 five-year deal would be preferred over a 3-year deal, as there would be no price
8 uncertainty or additional cost in negotiating a separate deal for the last two years.

9 There were no significant flexibility differences between the final offers. The RFP stated
10 that the Company was interested in either an annual baseload supply or a baseload winter
11 supply and all of the offers were consistent with the RFP.

12 Given the fact that the Constellation 5-year baseload deal had the lowest net present
13 value cost of all the final offers and given that there were no significant differences
14 between the final offers in terms of reliability and flexibility, the Company chose the
15 Constellation 5-year offer.

16 **Q. Please summarize your testimony.**

17 A. NSTAR Gas's Replacement Agreement with Constellation for 4,553 MMBtu/day of gas
18 supply delivered to Waddington, NY will provide substantial benefits to the Company's
19 firm customers.

20 First, the Replacement Agreement is consistent with the Company's portfolio objectives.
21 It will replace the 4,553 MMBtu/day of firm Canadian gas supply currently in the
22 Company's portfolio with a similar amount of firm Canadian supply. The need for the

1 contract volume is demonstrated in both the Company's Approved Supply Plan and its
2 Pending Supply Plan.

3 Second, the Replacement Agreement compares favorably on price and non-price terms to
4 other alternatives reasonably available to the Company, based on the RFP it issued on
5 April 15, 2005. The Company's economic analysis demonstrates that the Agreement will
6 provide the Company with the least-cost alternative for meeting its need beginning with
7 the 2006-07 heating season. The non-price factor analysis of responses to the RFP
8 indicated that there were no significant variations in non-price benefits between any of
9 the final offers considered.

10 From an overall portfolio perspective, the decision to replace the current Waddington
11 supply with another Waddington supply means that the Company did not increase its
12 fixed costs of supply (which would have happened if it decided to commit to upstream
13 transportation capacity), did not have to take on a longer term obligation than its existing
14 underlying transportation contracts, and did not have to take on any incremental upstream
15 regulatory and rate risk. NSTAR Gas was fortunate that it had the opportunity to take
16 advantage of its small contract volume and continue to purchase gas at Waddington. The
17 decision of the other members of the ANE Customer Group to contract for incremental
18 Union Gas and TransCanada pipeline capacity assured the Company that there would be
19 adequate liquidity at Waddington for NSTAR Gas's quantities. The subsequent
20 responses to NSTAR Gas's RFP demonstrated that there was clearly adequate liquidity at
21 Waddington for NSTAR Gas's RFP for NSTAR Gas's quantities.

22 **Q. Does this conclude your testimony in this case?**

23 **A. Yes.**

Final - 9-25-03.

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: September 25, 2003. The parties to this Base Contract are the following:

Constellation Power Source, Inc. ("CPS")

111 Market Place, Suite 500, Baltimore, MD 21202

Duns Number: 01-563-5220

Contract Number: Not Applicable

U.S. Federal Tax ID Number: 52-2019332

and **NSTAR Gas Company**

1 NSTAR Way, NE220, Westwood, MA 02090

Duns Number: 006951552

Contract Number:

U.S. Federal Tax ID Number: 04-1989250

Notices:

CPS, 111 Market Place, Suite 500, Baltimore, MD 21202

Attn: Contracts Manager

Phone: (410) 468-3558

Fax: (410) 468-3499

Electric and Gas Contract Administration

Attn: Senior Administrator

Phone: 781-441-8189

Fax: 781-441-8167

Confirmations:

CPS, 111 Market Place, Suite 500, Baltimore, MD 21202

Attn: Operations

Phone: (410) 468-3620

Fax: (410) 468-3540

Electric and Gas Energy Supply

Attn: Senior Analyst

Phone: 781-441-8178

Fax: 781-441-8167

Invoices and Payments:

CPS, 111 Market Place, Suite 500, Baltimore, MD 21202

Attn: Operations

Phone: (410) 468-3620

Fax: (410) 468-3540

Electric and Gas Contract Administration

Attn: Senior Administrator

Phone: 781-441-8189

Fax: 781-441-8167

Wire Transfer or ACH Numbers (if applicable):

BANK: M&T Bank, Baltimore, MD

ABA: 0220-0004-6

ACCT: 191-9007-8

Other Details: Not Applicable

BANK: Fleet Boston

ABA: 011000390

ACCT: 74099371

Other Details:

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select only one box from each section:

Section 1.2 Transaction Procedure <input checked="" type="checkbox"/> Oral (default) <input type="checkbox"/> Written	Section 7.2 Payment Date <input checked="" type="checkbox"/> 25 th Day of Month following Month of delivery (default) <input type="checkbox"/> _____ Day of Month following Month of delivery
Section 2.5 Confirm Deadline <input checked="" type="checkbox"/> 2 Business Days after receipt (default) <input type="checkbox"/> _____ Business Days after receipt	Section 7.2 Method of Payment <input checked="" type="checkbox"/> Wire transfer (default) <input type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check
Section 2.6 Confirming Party <input checked="" type="checkbox"/> Seller (default) <input type="checkbox"/> Buyer <input type="checkbox"/> Constellation Power Source, Inc.	Section 7.7 Netting <input checked="" type="checkbox"/> Netting applies (default) <input type="checkbox"/> Netting does not apply
Section 3.2 Performance Obligation <input checked="" type="checkbox"/> Contract standard (default) <input type="checkbox"/> Spot Price Standard Note: The following Spot Price Publication applies to both of the immediately preceding. Section 2.26 Spot Price Publication <input checked="" type="checkbox"/> Gas Daily Midpoint (default) <input type="checkbox"/> _____	Section 10.3.1 Early Termination Damages <input checked="" type="checkbox"/> Early Termination Damages Apply (default) <input type="checkbox"/> Early Termination Damages Do Not Apply Section 10.3.2 Other Agreement Setoffs <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) <input type="checkbox"/> Other Agreement Setoffs Do Not Apply Section 14.5 Choice Of Law New York
Section 6 Taxes <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) <input type="checkbox"/> Seller Pays Before and At Delivery Point	Section 14.10 Confidentiality <input checked="" type="checkbox"/> Confidentiality applies (default) <input type="checkbox"/> Confidentiality does not apply
<input checked="" type="checkbox"/> Special Provisions Number of sheets attached: Four (4) <input type="checkbox"/> Addendum(s): _____	

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

By: Charles E. Garman, Jr.
Name: Charles E. Garman, Jr.
Title: Assistant Treasurer

By: Ellen K. Angley
Name: Ellen K. Angley
Title: Vice President

General Terms and Conditions Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

2.2. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.3. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).

- 2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.
- 2.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.7. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.
- 2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.10. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.
- 2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.16. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.26. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average

of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the

date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves; except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

EXHIBIT A

Letterhead/Logo	Date: _____ Transaction Confirmation #: _____			
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.				
SELLER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____			
Contract Price: \$ _____ /MMBtu or _____				
Delivery Period: Begin: _____ End: _____				
Performance Obligation and Contract Quantity: (Select One) <table style="width:100%;"> <tr> <td style="width:33%; vertical-align: top;"> Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP </td> <td style="width:33%; vertical-align: top;"> Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller </td> <td style="width:33%; vertical-align: top;"> Interruptible: Up to _____ MMBtus/day </td> </tr> </table>		Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day		
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location):				
Special Conditions:				
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____			

SPECIAL PROVISIONS TO THE BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS

The following special provisions (the "Special Provisions") to the Base Contract shall supplement and form part of the Base Contract between the parties. In the event of any conflict or inconsistency between the Special Provisions and the Base Contract, the Special Provisions shall govern. Except as amended hereby, the Base Contract shall remain in full force and effect. All capitalized terms and section references used in these Special Provisions but not defined herein shall have the respective meanings ascribed to them in the Base Contract.

SECTION 1. PURPOSE AND PROCEDURES

The following sections shall be amended as follows:

1.2 In the last sentences of Section 1.2 insert the words "in writing" after the words "agreed to" and before the words "by both parties".

1.3 In the last sentence of Section 1.3, insert the words "absent manifest error" at the end of clause (i).

1.4 The first sentence of Section 1.4 shall be revised to read as follows: "The parties consent that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party."

SECTION 2. DEFINITIONS

The following section shall be amended as follows:

2.10 In the third line of Section 2.10, delete the parenthetical phrase "(or an alternate fuel if elected by Buyer and replacement Gas is not available)," in the definition of Cover Standard.

The following sections shall be added to Section 2:

2.30 "Costs" means (a) losses associated with transportation, costs incurred by the Non-Defaulting Party which cannot be avoided through its reasonable efforts and (b) brokerage fees, commissions (including reasonable attorneys' fees and court costs, if any) and other similar transaction costs and expenses reasonably incurred by the Non-Defaulting Party either in (1) terminating any arrangement pursuant to which it has hedged its obligations or (2) entering into new arrangements which replace a terminated transaction; incurred in connection with enforcing its rights in respect of the terminated transactions.

2.31 "Credit Rating" means, with respect to any entity, the rating assigned to such entity's unsecured, and senior long-term debt obligations (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issuer rating by S&P or Moody's.

2.32 "Cross Default" means a default, event of default, or other similar condition or event in respect of such party under one or more contracts or agreements between the parties hereto relating to the purchase, sale, exchange, transportation, commodity price swap, commodity option or similar transactions with respect to Gas, emission allowances, coal, oil (or the products or by-products thereof), electric power and/or capacity or other energy commodities.

2.33 "Downgrade Event" means, with respect to either party, or its guarantor, as applicable, that the Credit Rating of such entity falls below either BBB- (S&P) or Baa3 (Moody's) or if such party (or, if such entity) ceases to be rated by either S&P or Moody's.

2.34 "Moody's" means Moody's Investor Services, Inc., its successors and assigns.

2.35 "S&P" means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.), its successors and assigns.

2.36 "Bankrupt" shall mean with respect to any Party, such Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes bankrupt or insolvent (however evidenced); (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due.

SECTION 3. PERFORMANCE OBLIGATION

The following section shall be amended as follows:

3.2 In the "Spot Price Standard" portion of Section 3.2, add the following language after the last sentence:

REDACTED

REDACTED

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

The following sections shall be amended as follows:

8.1 In Section 8.1, in the last sentence, insert the word "assume" between "and" and "any liability"; and insert the words "at and" between "Gas" and "after".

SECTION 10. FINANCIAL RESPONSIBILITY

REDACTED

REDACTED

REDACTED

SECTION 11. FORCE MAJEURE

The following sections shall be amended as follows:

Section 11.2 is deleted in its entirety and replaced with the following:

"11.2 'Force Majeure' shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the claiming party and which prevents the claiming party from making or taking delivery of Gas at the Delivery Point or making payment when due".

Section 11.6 is deleted in its entirety.

SECTION 14. MISCELLANEOUS

The following sections shall be amended as follows:

Section 14.6 is amended by the addition of the following at the end thereto:

"Specifically, but without limitation, the price to be paid under and the terms of this Contract may be subject to review by the DTE in any proceeding brought under Chapter 164 of the statutes of the Commonwealth of Massachusetts. In the event that any court or regulatory agency takes any action or issues any determination that directly or indirectly effects a material adverse change in any substantive provision of this Contract, in the terms of performance or as to the rights or obligations of either party hereto (in that party's reasonable good faith opinion), then the party materially adversely affected may: (i) proceed with the Contract so changed, (ii) seek to renegotiate the terms of this Contract so affected by providing written notice to the other party of its desire to renegotiate. Each party hereto shall provide reasonable and prompt notice to the other party hereto as to any regulatory proceedings or actions described herein that could affect the rights and obligations of the parties hereto."

Section 14.8 is deleted in its entirety and replaced with the following:

"14.8 Representations and Warranties. On the effective date and the date of entering into each transaction, each party represents and warrants to the other party that: (i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has all regulatory authorizations necessary for it to legally perform its obligations under this Contract and each transaction; (ii) the execution, delivery and performance of this Contract and each transaction are within its powers, and do not violate any contracts to which it is a party or any law, rule, regulation, order; (iii) this Contract, each transaction, and each other document executed and delivered in accordance with this Contract constitutes its legally valid and binding obligation enforceable against it in accordance with its terms; subject to any equitable defenses; (iv) it, or its guarantor, if applicable, is not Bankrupt and there are no proceedings pending or being contemplated by it, its guarantor, if any, or, to its knowledge, threatened against it which would result in it being or becoming Bankrupt and there is not pending or, to its knowledge, threatened against it, or its guarantor, if any, or any of its affiliates, any legal proceedings that could materially adversely affect its ability to perform its obligations under this Contract and each transaction; (v) no Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Contract and each transaction; (vi) it is acting for its own account, has made its own independent decision to enter into this Contract and each transaction and as to whether this Contract and each such transaction is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Contract and each transaction; and (vii) it is an "eligible contract participant" as that term is defined in Section 1a(12) of the Commodity Exchange Act. The parties agree that this Contract constitutes a "qualified financial contract" as that term is defined in N.Y.G.O.L. §5-701(b) that this Contract be a "master agreement" for purposes of 11 U.S.C. 101(53B) or any successor provisions."

14.10 In the third line of Section 14.10 insert the words "and such party's affiliates, subject to restrictions under applicable Codes of Conduct," after the word "party".

The following new sections shall be added to Section 14:

14.12 THE CONTRACT SHALL BE INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF LAW THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION, CLAIM OR PROCEEDING RELATING TO THIS CONTRACT.

14.13 Notwithstanding any other provisions of this Contract to the contrary with regard to references to "Imbalance Charges" it is understood and agreed that upon receiving Notice of Force Majeure, the party not claiming Force Majeure shall adjust nominations with its Transporter(s) to account for any change in quantities to be delivered or received. Such nomination change shall be made as soon as practicable after receipt of Notice.

14.14 As both parties were actively involved in preparing the terms and conditions of this Agreement and as they both had access to and relied upon counsel in this process, there shall be no presumption that any one or the other party prepared this Agreement and no provision of this Agreement shall be construed against either party based upon the process of preparation of proposals and drafts of the Agreement.

REDACTED

REDACTED

IN WITNESS WHEREOF, the parties hereto have executed these Special Provisions in duplicate.

GSS
7/24/03
CONSTELLATION POWER SOURCE, INC.

By: Charles E. Garman, Jr.

Name: Charles E. Garman, Jr.

Title: Assistant Treasurer

NSTAR GAS COMPANY

By: Ellen K. Angley

Name: Ellen K. Angley

Title: Vice President


**Constellation Energy
Commodities Group**
**AMENDED September 16, 2005
Transaction Confirmation**

Date: 7/16/05

This Amended Transaction Confirmation serves to amend and replace the existing Transaction Confirmation between Seller and Buyer dated July 8, 2005 and is subject to the Base Contract between Seller and Buyer dated September 25, 2003 (including the "Special Provisions" appended thereto), except as specified below. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract

SELLER:

Constellation Energy Commodities Group, Inc ("CECG")
111 Market Place
Suite 500
Baltimore, MD 21202
Attn: Contract Administrator
Phone: (410) 468-3798
Fax: (410) 468-3540

BUYER:

NSTAR Gas Company
One NSTAR Way NE 220
Westwood, MA 02109-9230
Attn: Max Gowen
Phone: 781-441-3556
Fax: 781-441-8167

Product: Gas Sale

Commodity Charge: see Special Conditions below

Term (Delivery Period): Begin: November 1, 2006 End: November 30, 2011

MDQ: 4,553 MMBtu/day adjusted to the Delivery Point for Iroquois fuel (Zone 1 to 1) and Tennessee fuel (Zone 5 to 6) as set forth in more detail in the Special Conditions below

Delivery Point: Tennessee Zone 6 - NSTAR's Worcester, MA city gate

Performance Obligation: Firm

Special Conditions:

- 1) **Commodity Price:** The price for each MMBtu delivered to Buyer shall be computed as follows:

REDACTED

2) **Delivered Quantity:**

3) **Demand Charge: /**

4) **Asset Management Services Fee: /**

5) **Section 1.2 (Transaction Procedure)**

6) **Section 10.1 (Financial Responsibility):**

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

7) Section 10.3.2 (Other Agreement Setoffs,

8) Section 11 (Force Majeure):

REDACTED

SELLER: CONSTELLATION ENERGY
COMMODITIES GROUP, INC

BUYER: NSTAR GAS COMPANY

By: _____

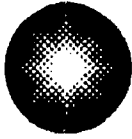
Name:
Title:

COE
9/28/05

By: _____

Name:
Title:

ELLEN K. ANGLEY
VICE PRESIDENT
Energy Supply & Procurement



Constellation Energy Commodities Group

*A Member of the
Constellation Energy Group*

Constellation Energy
Commodities Group
111 Market Place
Suite 500
Baltimore, MD 21202

September 28, 2005

Mr. Max Gowen
NSTAR Gas Company
One NSTAR Way, NE 220
Westwood, MA 02090-9230

re: Recallable Pipeline Capacity Release Letter Agreement

Dear Mr. Gowen:

This letter agreement ("Agreement") sets forth the terms to which NSTAR Gas Company ("NSTAR") and Constellation Energy Commodities Group, Inc. ("CCG") have agreed regarding a one (1) month capacity release of Firm Tennessee Gas Pipeline FT-A capacity and Iroquois Gas Transmission RTS Capacity (together, "Recallable Capacity") by NSTAR to CCG. All capitalized terms not defined herein shall have the meanings provided in the Base Contract for Sale and Purchase of Natural Gas, dated September 25, 2003, between NSTAR and CCG. This Agreement shall be effective as of the date hereof and shall remain in effect until November 30, 2011 ("Term").

NSTAR hereby agrees to release to CCG the Recallable Capacity for the Term, and CCG agrees to accept such release, all subject to all applicable orders, rules and regulations of the Federal Energy Regulatory Commission ("FERC Orders"). The release of the Recallable Capacity by NSTAR to CCG shall be for the volumes and terms described below and as provided pursuant to terms substantially similar to those provided in the transaction confirmation between the Parties dated this date (the "Transaction Confirmation"). NSTAR will not revoke a release of Recallable Capacity unless CCG is in default or fails to perform its obligations to NSTAR set forth in this Agreement or in the Transaction Confirmation.

NSTAR agrees that it shall post the Recallable Capacity for bidding on the electronic bulletin boards of Tennessee Gas Pipeline and Iroquois Gas Transmission (the "Bid"), no later than October 21, 2005 for the period from November 1, 2011 through November 30, 2011 (the "Posting"). CCG agrees to submit a bid on the Posting date in conformance with the applicable tariff requirements accepting the release of the Recallable Capacity at the maximum rate.

NSTAR further agrees that at the time that the Bid is made, the Bid shall be posted for a period of no more than three (3) Business Days, unless otherwise provided by FERC Orders; provided, that if a FERC Order shall require a longer posting time or permit a shorter posting time, NSTAR shall post the Bid for the most limited time period permitted. NSTAR and CCG further agree that CCG shall be the pre-arranged replacement shipper and that CCG shall bid for the Recallable Capacity Release as agreed herein.

NSTAR and CCG agree that any third party bidders shall be permitted to bid, per FERC Orders, on the Recallable Capacity.

NSTAR and CCG further agree to the following terms and conditions of a Recallable Posted Capacity Release involving the "Recallable Capacity:

Recallable Capacity

Contract #1

Pipeline: Tennessee Gas Pipeline

Rate Schedule: FT-A

Period: November 1, 2011 through November 30, 2011

Conditions of Posting: Recallable by NSTAR only if CCG is in default or fails to perform in its obligations under this Agreement or under the Transaction Confirmation.

Capacity Release Product: Firm pipeline capacity with a primary receipt point of Wright located in Tennessee Zone 5 and a primary delivery point of Worcester, MA located in Tennessee Zone 6.

Contract Specifications: MDQ of FT Capacity shall be 4,500 MMBtu/day

Release Rate: Max. Tariff Rate

Special Terms and

Miscellaneous Notes: Replacement Shipper is providing Releasing Shipper with asset management services for this contract.

Contract #2

Pipeline: Iroquois Gas Transmission

Rate Schedule: RT-S

Period: November 1, 2011 through November 30, 2011

Conditions of Posting: Recallable by NSTAR only if CCG is in default or fails to perform in its obligations under this Agreement or under the Transaction Confirmation.

Capacity Release Product: Firm pipeline capacity with a primary receipt point of Waddington located in IGT Zone 1 and a primary delivery point of Wright located in IGT Zone 1.

Contract Specifications: MDQ of FT Capacity shall be 4,553 MMBtu/day

Release Rate: Max. Tariff Rate

Special Terms and

Miscellaneous Notes: Replacement Shipper is providing Releasing Shipper with asset management services for this contract.

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all such counterparts shall constitute one and the same instrument. Any counterpart may be delivered by facsimile. No provision of this Agreement may be amended or waived except by a written instrument executed by each of CCG and NSTAR. This Agreement shall be construed in accordance with the laws of the State of New York, excluding its choice of law provisions. Each party represents and warrants to the other party as of the date hereof that: (a) it is duly organized and existing under the laws of the jurisdiction of its organization and has full power and legal right to execute, deliver and perform this letter agreement; (b) its execution, delivery and performance of this letter agreement has been duly authorized by all necessary actions and do not contravene any legal or contractual restriction binding on or affecting it, and the person signing this letter agreement is authorized and empowered to do so; (c) it has obtained or will submit any authorization or approval or other action by, or notice to or filing with, any governmental authority or regulatory body that is required for the due execution, delivery and performance of this letter agreement. Each of CCG and NSTAR further agree that neither shall be required to pay to the other special, exemplary, punitive, incidental, consequential, or indirect damages (whether or not arising from its negligence).

Please sign in the space indicated below and return the fully executed letter amendment to Stuart Rubenstein, Chief Operating Officer, Constellation Energy Commodities Group, Inc., 111 Market Place, Suite 500, Baltimore, MD 21202. Regards.

CONSTELLATION ENERGY
COMMODITIES GROUP, INC.

By: _____

Stuart R. Rubenstein

Title: Chief Operating Officer

Date: _____

NSTAR GAS COMPANY

By: _____

Ellen K. Angley

Title: _____

VICE PRESIDENT
Energy Supply & Procurement

Date: _____

NSTAR GAS COMPANY

REQUEST FOR PROPOSALS (RFP) FOR THE REPLACEMENT OF ANE SUPPLIES

NSTAR GAS COMPANY (NSTAR Gas, or the Company), is a local gas distribution company (LDC) which provides service to approximately 300,000 natural gas customers in four geographic areas in Massachusetts: Worcester, Framingham, Cambridge and New Bedford. NSTAR Gas (formerly Commonwealth Gas) is the gas distribution subsidiary of NSTAR, which was created in the 1999 merger of Boston Edison and Commonwealth Energy System. Additional information (including financial statements) about NSTAR may be obtained through the website www.nstaronline.com.

NSTAR Gas' total system throughput in 2004 was approximately 59 Bcf, of which approximately 40 Bcf, or 68%, was supplied by NSTAR Gas (primarily to residential, small commercial and small industrial sales customers). NSTAR Gas is subject to regulation by the Massachusetts Department of Telecommunications and Energy (DTE). The Company has a DTE approved mandatory capacity assignment program to facilitate retail choice for its customers. **Respondents are cautioned to carefully read this RFP and ask whatever questions are necessary to complete their understanding of any and all risks prior to submitting responses.**

A. OBJECTIVE OF RFP

The objective of this RFP is to obtain proposals for the replacement of supplies of natural gas currently purchased at Waddington, NY from Alberta Northeast (ANE) under a contract that expires on November 1, 2006. NSTAR currently purchases 4,553 dth/day of natural gas at Waddington, NY and has transportation agreements for 4,553 dth/day of capacity on the Iroquois Gas Transmission (IGT) system from Waddington to Wright, NY, and 4,500 dth/day of capacity on the Tennessee Gas Pipeline (TGP) system between Wright, NY to Worcester, Massachusetts.

This RFP is intended to replace the supplies of gas that are currently purchased at Waddington. The term of the contract resulting from this solicitation will begin on November 1, 2006. The Company is willing to sign an agreement that runs up to the termination date of its current Iroquois and Tennessee transportation contracts, which continue until November 1, 2011. However, if a potential supplier offers a more favorable price for a shorter term, the company reserves the right to select the shorter term.

B. NSTAR SUPPLY PORTFOLIO AND REGULATORY BACKGROUND

NSTAR currently has a portfolio manager managing its gas supply portfolio under a one-year contract that will run through October 31, 2005. A separate third party currently manages the ANE volumes and associated transport. NSTAR will send out a separate RFP in June 2005 for a portfolio manager to perform a similar function beginning on November 1, 2005 through November 2006. **This solicitation is only for the renewal of the underlying ANE supply agreement beginning in November 2006. Parties interested in competing for the anticipated November 1, 2005 to November 2006 service involving the current ANE service or to provide portfolio management services are encouraged to respond to the RFP that NSTAR will send out in June 2005.**

Under Massachusetts regulatory requirements, LDCs, such as NSTAR Gas, must obtain approval from the Massachusetts Department of Telecommunications and Energy (DTE) of any contract greater than one year in length. NSTAR anticipates that some contracts resulting from this RFP are likely to exceed one year in length and therefore, will require DTE review and approval.

Selected parties are expected to execute a term sheet confirming the agreed terms (including pricing) with NSTAR

NSTAR Gas Company
RFP for the Purchase of Firm Natural Gas Supplies

Gas as soon as practicable after selection. NSTAR would expect to negotiate an appropriate contract with the supplier as soon as practical thereafter. NSTAR will subsequently file the contract with the DTE for its approval.

C. SUPPLY REQUIREMENTS AND SERVICE DESCRIPTION

The goal of this RFP is to obtain a replacement service for the ANE supply contract that expires on November 1, 2006. It is NSTAR's preference to replace the Waddington service with a city gate delivered service. The service envisioned by NSTAR is as follows: 1) NSTAR will assign the IGT and TGP transport to supplier (approximately 4,500 dth/day on each pipe) at the maximum tariff rates via capacity release; 2) Supplier would provide NSTAR with an equivalent quantity of delivered gas at the Worcester, MA gate station on TGP.

In the past, the ANE quantities have been generally taken on a 365-day basis. NSTAR is willing to consider purchasing a 151-day winter supply, if the supplier offers pricing terms that provide clear benefits to firm customers. In order for NSTAR to purchase summer quantities under this replacement contract, the delivered cost under this agreement must be less than alternatives available to the Company.

Any gas supply purchased through this RFP must have a level of reliability equal to that of the released transportation contracts. The released TGP contract includes Worcester as a primary firm delivery point. The party obtaining capacity may not permanently change the primary receipt and delivery points without the written consent of NSTAR.

D. CONTRACT TERM

NSTAR is flexible regarding the term of the proposed contract. NSTAR is willing to consider signing an agreement that extends out to November 1, 2011, which matches the remaining term of its underlying IGT and TGP contracts. NSTAR is willing to consider shorter terms if there are clear advantages to the Company's firm customers.

E. PRICING

NSTAR Gas operates in an increasingly competitive market, so suppliers are encouraged to present pricing approaches that are responsive to competitive conditions. NSTAR Gas is open to various pricing structures and will consider proposals that present alternative pricing approaches; however, each proposal should clearly indicate the preferred pricing methodology.

The delivery point for gas under this proposal will be Worcester, Massachusetts, at Tennessee meter station number 020109.

NSTAR is not committed to any particular index. It expects to see proposals based on indices such as Dawn, AECO, Chicago, and NYMEX, with basis differentials. Parties may set the basis differentials as a function of filed pipeline rates or as set values. Parties may offer more than one pricing alternative.

NSTAR expects to pay a delivered price for the gas at Worcester and to receive a payment from the supplier for the right to manage the assets that are assigned to the supplier as part of the contract. NSTAR has a strong preference for the payment from the supplier to be a fixed monthly amount, rather than a percentage of sharing approach.

NSTAR Gas offers the following guidelines in setting pricing methodology:

- Pricing proposals should contain a reasonable, supportable and easily verifiable mechanism for establishing the price, such as a published index.
- Proposal should also clearly explain how the pricing mechanism would be implemented and adjusted over time, if applicable.

NSTAR Gas Company
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E. FLEXIBILITY

Bidders are expected to indicate the purchase flexibility associated with their offers. The Company is willing to commit to a 151-day winter purchase obligation under the proper pricing terms. Daily purchase flexibility is not required for this component of the NSTAR portfolio. As noted above, the Company in the past has been able to purchase these quantities on a 365-day basis and would prefer to have the gas priced such that it is economical to maintain 100% purchases.

G. REQUIREMENTS

Each proposal is required to address all of the following:

1. Quantity: The proposal must be willing to supply the full daily contract quantity associated with the receipt of 4,553 dth/day at Waddington into IGT. Fuel factors on IGT vary monthly, and fuel factors on Tennessee vary by season, resulting in variations in the quantities actually delivered at Worcester.
2. Point of Delivery: The proposal must state the proposed delivery point as the Worcester, MA Tennessee meter station 020109.
3. Contract Term: See Section E., "Contract Term."
4. Pricing: See Section F., "Pricing."
5. Flexibility: See Section G., "Flexibility."
6. Financial Reports: Each supplier must provide a copy of the company's most recent audited financial statements and annual report.
7. Supply and Transportation Documentation and Warranties: Each supplier should provide specific information regarding the status and nature of any supply, transportation, and/or storage contracts that may be used to deliver the proposed supplies to the Waddington interconnection between TransCanada Pipeline and Iroquois. If a party plans to make the required deliveries to Worcester without depending upon the IGT and TGP capacity assigned by the Company, the bidder must explain the arrangements that will be utilized and explain how this alternative service meets the primary firm delivery obligation set forth above. Finally, potential suppliers will be required to indicate their willingness to provide warranties, parent guarantees and letters of credit in support of a contractual commitment.

H. PROCEDURES

Questions regarding this RFP should be directed to:

Max Gowen
NSTAR Gas Company
One NSTAR Way, NE 220
Westwood, MA 02090-9230

NSTAR Gas Company
RFP for the Purchase of Firm Natural Gas Supplies

Telephone: 781-441-3556
Telecopier: 781-441-8167

Email: max_gowen@nstaronline.com

NSTAR Gas strongly prefers to receive questions regarding this RFP via email. NSTAR Gas also reserves the right to answer such questions in writing and to distribute its responses to such questions to all parties that have received a copy of this RFP.

Responses to this RFP must be made in writing and may be made by mail, enclosed in a sealed envelope, by email or by FAX. All proposals must be received by **May 13**, at 4:00 p.m. Eastern Time. Any supplier that submits a FAX or email response to this RFP must also send its response by mail, enclosed in a sealed envelope and postmarked no later than **May 13, 2005**. NSTAR Gas may not accept by mail any proposal from a supplier sent as a follow up to its FAX or email proposal that differs from its FAX or email proposal.

All proposals should be sent to:

Max Gowen
NSTAR Gas Company
One NSTAR Way, NE 220
Westwood, MA 02090-9230

FAX: 781-441-8167
Email: max_gowen@nstaronline.com

NSTAR Gas reserves the right to reject any proposal that is not timely and properly submitted, or is not complete in all respects, or that contains inaccurate or misleading information. The bidder shall be obligated (following the submission of a proposal) to provide further information as the Company may request, and to update any information (including, without limitation, information regarding the bidder's gas, gas transportation and financial resources) such that all information set forth in a bid remains accurate throughout the course of negotiations.

I. PROPOSED SCHEDULE

The following is a proposed schedule (subject to change) for NSTAR Gas' current RFP process:

Issuance of RFP	April 15, 2005
Proposals Due	May 13, 2005
Review of Proposals	May 16 - 25, 2005
First Cut of Suppliers Notified	May 25 - 27, 2005
Individual Conferences with First Cut Suppliers	June 1 - 10, 2005
Selection of Final Supplier	June 24, 2005
Letter of Intent/Term Sheet Executed	July 29, 2005
Execute Contracts/Precedent Agreements	September 2, 2005

J. CONFIDENTIALITY

Potential suppliers may request that specific information contained in or relative to its proposal be treated by NSTAR Gas on a confidential basis. Such request shall be clearly stated on every page of the proposal on which

NSTAR Gas Company
RFP for the Purchase of Firm Natural Gas Supplies

confidential information may appear. NSTAR Gas and its representatives shall take reasonable efforts steps to protect information that is clearly identified as confidential from disclosure to third parties. Potential suppliers shall use their own reasonable efforts to protect information that NSTAR Gas designates as confidential, as well as the communications and documents received from NSTAR Gas during the course of any negotiations.

Potential suppliers should understand that NSTAR Gas may deem it necessary to disclose certain information relating to this RFP and the proposals it receives to the Mass DTE. Upon written request by a potential supplier, NSTAR Gas shall request of the Mass DTE that any information designated as confidential by the potential supplier be afforded protected status by the Mass DTE and thus be given confidential treatment by the Mass DTE in any public forum that may be called to evaluate the contracts.

However, NSTAR Gas cannot guarantee that such information will not be disclosed, and in no event shall NSTAR Gas be liable as a result of any disclosure of confidential information during the period of review and analysis of proposals or during subsequent contract negotiations and regulatory proceedings.

K. EVALUATION OF PROPOSALS

NSTAR Gas uses several factors in its consideration of firm gas supply proposals. Table 1 below, shows the factors and relative weights that NSTAR Gas will use in its evaluation of proposals. NSTAR Gas reserves the right to change the factors and their respective weights, and to add or delete factors, at any time. A brief description of the factors follows:

Table 1	
WEIGHTED SUPPLIER EVALUATION CRITERIA	
CRITERION	PERCENT
RELIABILITY	35%
COMPETITIVENESS	35%
RESPONSIVENESS	15%
FINANCIAL STRENGTH	15%

Reliability

NSTAR Gas defines reliability as the ability to deliver the firm gas supply each day of the contract period. NSTAR Gas will assess the supplier's ability to meet the commitment to reliability based on: their description of the underlying supply, transportation, and storage arrangements; customer references; warranty provisions; and past performance.

Competitiveness

NSTAR Gas operates increasingly in a competitive market, and, therefore, the maximum benefit of the trade-offs between pricing, flexibility, contract term length and reliability will be considered.

NSTAR Gas Company
RFP for the Purchase of Firm Natural Gas Supplies

Responsiveness

NSTAR Gas will assess how well the proposal meets the requirements of this RFP, including completeness and clarity of the initial response as well as subsequent requests for information.

Financial Strength

NSTAR Gas will review the historical and projected financial resources of the proposed supplier with respect to its ability to act as a potential firm natural gas supplier and its capability of meeting all future commitments. This will include an evaluation of audited financial statements and credit ratings. A supplier's willingness to provide parent guarantees (if performance by a subsidiary is contemplated), letters of credit and other performance assurances will be considered positive indicators of financial strength.

I.. FIRM COMMITMENT

NSTAR Gas shall not be considered to have made a commitment to purchase gas from any potential supplier either through the issuance of this RFP or by its negotiations with a potential supplier. NSTAR Gas reserves the right, in its sole discretion and at any time (including without limitation as the Company deems necessary to comply with the actions of regulatory bodies of competent jurisdiction), to withdraw and/or modify this RFP, to reject any and all proposals, and to discontinue negotiations with any and all potential suppliers. NSTAR Gas shall have no commitment to purchase gas unless and until the authorized representatives of the Company and the supplier have executed a definitive agreement and any conditions precedent set forth in that agreement have been satisfied. NSTAR Gas further reserves the right to purchase natural gas supplies from other appropriate sources.

Exhibit MAG-4										Exhibit MAG-4	
NSTAR Gas											
Gas RFP Evaluation - ANE Replacement Supply											
Deal #	Party	Start	End	Yrs	Base/Winter	Del Point	Pricing Basis	All in Basis	Mgt Fees	Basis	Pricing Terms
1	Constellation #1	11/1/2006	10/31/2007	1	Baseload	Worcester					
2	Constellation #2	11/1/2006	10/31/2007	1	Winter	Worcester					
3	Constellation #3	11/1/2006	10/31/2009	3	Baseload	Worcester					
4	Constellation #4	11/1/2006	10/31/2009	3	Winter	Worcester					
5	Constellation #5	11/1/2006	10/31/2011	5	Baseload	Worcester					
6	Constellation #6	11/1/2006	10/31/2011	5	Winter	Worcester					
7	Cargill	11/1/2006	10/31/2011	5	Baseload	Worcester					
8	Amerada Hess #1	11/1/2006	10/31/2011	5	Baseload	Worcester					
9	Amerada Hess #2	11/1/2006	10/31/2011	5	Baseload	Worcester					
10	Amerada Hess #3	11/1/2006	10/31/2011	5	Baseload	Worcester					
11	Coral	11/1/2006	10/31/2011	5	Baseload	Worcester					
12	Emera #1	11/1/2006	10/31/2008	2	Baseload	Worcester					
13	Emera #2	11/1/2006	10/31/2008	2	Baseload	Worcester					
14	TXU	11/1/2006	10/31/2011	5	Winter	Worcester					
15	NJR #1	11/1/2006	10/31/2011	5	Winter	Worcester					
16	NJR #2	11/1/2006	10/31/2011	5	Baseload	Worcester					
17	DTE #1	11/1/2006	10/31/2011	5	Baseload	Worcester					
18	DTE #2	11/1/2006	10/31/2011	5	Baseload	Worcester					
19	DTE #3	11/1/2006	10/31/2011	5	Baseload	Worcester					
20	Sempra	11/1/2006	10/31/2008	2	Winter	Worcester					
21	VPEM	11/1/2006	10/31/2009	3	Winter	Worcester					
22	Nexen #1	11/1/2006	10/31/2009	3	Baseload	Worcester					
23	Nexen #2	11/1/2006	10/31/2009	3	Baseload	Worcester					
24	Nexen #3	11/1/2006	10/31/2009	3	Baseload	Worcester					
25	Nexen #4	11/1/2006	10/31/2009	3	Baseload	Worcester					
26	Nexen #5	11/1/2006	10/31/2011	5	Baseload	Worcester					
27	Nexen #6	11/1/2006	10/31/2011	5	Baseload	Worcester					
28	Nexen #7	11/1/2006	10/31/2011	5	Baseload	Worcester					
29	Nexen #8	11/1/2006	10/31/2011	5	Baseload	Worcester					
30	Duke	11/1/2006	10/31/2011	5	Baseload	Worcester					
31	BP	11/1/2006	10/31/2011	5	Baseload	Waddington					
32	Sprague	11/1/2006	10/31/2007	1	Baseload	Worcester					
* Nexen will fix all pipeline rates upstream of Waddington										short list	

REJECTED

REJECTED

Exhibit MAG-5
 Summary of Final Evaluation
 of Short List Offers

Exhibit MAG-5

Results Summary					Default Risk		
Deal #	Deal	NPV	Year 4-5	Net NPV	Rank	Net Risk	Guaranty Limit LC Required
3	CPS 3 Year						
5	CPS 5 Year						
7/31	BP/Cargill						
22a	Nexen AECO Index 3 Year						
26a	Nexen AECO Index 5 Year						
22b	Nexen AECO Basis 3 Year						
26b	Nexen AECO Basis 5 Year						
24a	Nexen Dawn Index 3 Year						
28a	Nexen Dawn Index 5 Year						
24b	Nexen Dawn Basis 3 Year						
28b	Nexen Dawn Basis 5 Year						
14	TXU						
21	VP&M						
15	NJR Energy Services						
Assumed Years 4+5							

Supplier Credit Ratings				NSTAR Credit Policy	
Supplier	S&P	Moody's			
Nexen	BBB-	Baa2 (neg)			
Constellation	BBB+	Baa1			
Dominion	BBB+ (neg)	Baa1			
NJR	Gas LDC is				
	A+, parent unrated	Gas LDC Aa3			
Cargill	A+ (neg)	A2			
TXU	BBB (neg)	Baa2 (neg)			